

Message Text

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ACTION EB-06

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C O N F I D E N T I A L COLOMBO 3225

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SUBJGE SRI LANKA SHIPPING CONFLICT: NOV 15

REF: A) COLOMBO 3163 B) STATE 248574 C) STATE 250614

D) STATE 251563

1. SUMMARY: APL PRESIDENT LINCOLN SAILED MORNING
NOV 14, LEAVING BEHIND ABOUT 600 TONS CUSAC
FREIGHT FOR US EAST COAST. ACTUAL FAILURE LIFT
CARGO ATTRIBUTABLE TO BOTH CENTRAL FREIGHT BUREAU (CFB)
AND APL (CUSAC) IRRECONCILABLE POSITIONS. NORWEGIAN
FLAG HOEGH DYKE IS NOW IN COLOMBO
PORT; BOOKED FOR
3,000 TONS CUSAC CARGO, NOT LOADING; LINE AND AGENTS AWAITING
DEVELOPMENTS. ON NOV 13, GSL/CFB RAISED ACCEPTABLE
SURCHARGE LEVEL SLIGHTLY BUT \$9.50 GW REMAINS. ON
NOVEMBER 14, CUSAC CABLED GSL/CFB OFFERING RESCIND
FREIGHT COLLECT RULE IF CFB WOULD PERMIT REMITTANCE
ALL PAST AND FUTURE BLOKDED PREPAID FREIGHT PAYMENTS.
WITH MINOR MOVEMENT IN POSITIONS EACH SIDE UNACCEPTABLE
TO OTHER, CONSENSUS HERE IS THAT NO SOLUTION PROBABLE
NEXT SEVERAL DAYS. IN RESPONSE REF C
SECRETARY KARANDAWELA IS TOUGH, CLEVER, KNOWLEDGEABLE,
NATIONALIST, LEFTIST INCLINED BUREAUCRAT IN COMPLETE CHARGE
SHIPPING POLICY AND NEGOTIATION PRESENT CONFLICT, SUBJECT
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TO STRONG INFLUENCE OF TRADE MINISTER ILANGARATNE.

IAOR CFB/CUSAC RELATIONS REFLECT LONG HISTORY OF CEYLON-US SHIPPING CONFLICTS, AGGRESSIVE SHIPPING POLICY GSL HAS ASSERTED LAST SEVERAL YEARS, PLUS REAL AND IMAGINED OFFENSES GSL PERCEIVES IN THEIR TREATMENT BY CUSAC AND NOW USG AUTHORITIES.

2. CUSAC SHIP CALLS: APL PRESIDENT LINCOLN ARRIVED EVENING NOV 13 AND SAILAK MORNING NOV 14 WITH 281 TONS CARGO FOR US WEST COAST, LEAVING BEHIND ABOUT 600 TONS TEA, RUBBER, GENERAL CARGO FOR EAST COAST. IN THE EVENT, CUSAC AND GSL/CFB POSITIONS WERE AS FOLLOWS: CFB BROUGHT CARGO TO DOCKS FOR STUFFING INTO APL CONTAINERS, THUS CARGO WAS TECHNICALLY PROVIDED. CFB SAID CARGO FOR WHICH SHIPPERS PREFERRED TO PREPAY COULD NOZHGO FREIGHT COLLECT. UNDER INSTRUCTION TO ACCEPT CARGO FREIGHT COLLECT ONLY, APL ALNT HAD NO CHOICE BUT TO LOAD NONE. THUS ACTUAL NON-LOADING ALL CARGO PREPAID AND FREIGHT COLLECT ALIKE ATTRIBUTABLE BOTH SIDES BUT FAILURE LOAD NORMALLY FREIGHT COLLECT CARGO PERHAPS INTERPRETABLE AS CFB RESPONSIBILITY SINCE TREATMENT OF NORMALLY PREPAID CARGO IS REAL TACTICAL ISSUE. WE HAVE COPY OF APL'S NOV 7 CABLE TO CFB SETTING OUT VERY REASONABLY BUT FIRMLY THAT LEGAL AND POLICY REQUIREMENTS OBLIGE THEM TO ADHERE TO CUSAC POSITION.

4. MEANWHILE NORWEIGIAN FLAG HOEGH DYKE ARRIVED NOV 14, DISCHARGED AND LOADED NON-CUSAC CARGO. SHE NOW STANDS IN PORT AWAITING DEVELOPMENTS TO SEE IF UEE CAN LIFT NOW ACCUMULATED 3,000 TONS FOR US EAST COAST. ACCORDING AGENTS, SHE MAY WAIT THREE - FOUR DAYS. NEXT CUSAC SHIP, HELLEVNIC CHAMPION, IS HOLDING IN INDIAN PORT AWAITING DEVELOPMENTS BEFORE LINE DECIDES WHETHER SHE WILL MAKE SCHEDULED NOV 18 CALL.

5. GSL/CFB AND CUSAC POSITIONS: ON 13 NOV RQB CIRCULARIZED AGENTS CFB SAYING MANAGEMENT BOARD HAD REVIEWED CUSAC SURCHARGE AND HAD RAISED BOARDS PREVIOUSLY APPROVED LEVEL OF US \$10.60 TO US \$13 EFFECTIVE OCT 1. CFB APPROVED SURCHARGE LEVEL WAS CONFIDENTIAL

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ALSO RAISED RETROACTIVELY FOR PERIOD MARCH 1 - SEPT 1974 FROM \$10.60 TO \$14.50. CIRCULAR REQUESTED SHIPPING AGENTS TO REMIT RESULTING UNBLOCKED DIFFERENCE TO SHIPPING LINES. THUS GAP BETWEEN CUSAC \$22.50 AND CFB APPROVED \$10.60 HAS NARROWED EYUT IS STILL SUBSTANTIAL \$9.50. ON NOV 14 CUSAC LOCAL SECRETARY ABEYRATNE RECEIVED CUSAC CABLE TO GSL/CFB OFFERING RESCIND FREIGHT COLLECT REQUIREMENT IF ALL PREVIOUSLY BLOCKED PAYMENTS

REMITTED AND NO FURTHER REMITTANCE OF FREIGHT PREPAYMENTS WITHHXXD. CABLE PROMISES THAT BUNKER SURCHARGE ISSUE WOULD THEN BE INTENSIVELY REVIEWED. MORNING 15 NOVEMBER CUSAC SSZRETARY ABEYRATNE TOLD EMBOFF HE HAD TRIED TO SEND THIS MESSAGE OFFICIALLY TO KARANDAWELA, BUT IT WAS RETURNED OPENED BUT UNACCEPTED.

5. IN RESPONSE REF C BEST ANSWERS WE HAVE NOW TO PARAGRAPH 2 ARE AS FOLLOWS: A) P.B. KARANDAWELA, PERMANENT SECRETARY SHIPPING AND TOURING MINISTRY; BORN KANDY, MAY, 1932, EDUCATED LOCAL COLLEGES AND LONDON UNIVERSITY, (COMMERCE DEGREE) 1952. CAREER THEREAFTER: 1953, ECONOMIC RESEARCH ASSISTANT, CEYLON CENTRAL BANK; 1956: LONDON SCHOOL OF ECONOMICS; 1959: SENIOR ECONOMIST, CENTRAL BANK; 1963: JOINED TREASURY TO ASSIST T.B. ILANGARATNE (NOW TRADE MINISTER), THEN FINANCE MINISTER, TO PREPARE 1963 BUDGET (THUS BEGAN LONG CLOSE ASSOCIATION WITH ILANGARATNE); 1964: TREASURY DEPT, ECONOMIC AFFAIRS, DEPUTY DIRECTOR; 1965: SIX MONTHS WITHRLF. HE HAS ALSO BEEN ACTIVE IN ACADEMIC ECONOMICS, CORPORATE BOARDS OF PUBLIC CORPORATIONS, AND WAS CHAIRMAN OF CEYLON TRANSPORT BOARD UNTIL EARLY 1968 WHEN HE WAS APPOINTED SHIPPING SECRETARY.

7. FROM PUBLIC AND PRIVATE INFO KARANDAWELA EMERGES AS WELL TRAINED, BROAD GAUGED, EXPERIENCED CAREER CIVIL SERVANT WHO HAS ADOPTED SHIPPING AS FOCUS FOR CONSIDERABLE POLICY MAKING AND ADMINISTRATIVE TALENT. HE WAS ACTIVE LOBBYIST AT GENEVA MEETINGS ON CODE OF CONDUCT FOR LINER CONFERENCES, AND WAS PRIME MOVER IN ESTABLISHING CFB AND OVERALL CEYLONESE SHIPPING POLICY. HE IS REGARDED AS ILANGARATNE'S PROTEGE AND DIRECT AGENT IN SHIPPING MINISTRY. POLITICALLY, CONFIDENTIAL

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OUR INFO INDICATES KARANDAWELA IS FUNDAMENTALLY STRONG NATIONALIST WITH LEFTIST INCLINATION. ONE EMBASSY SOURCE QUOTES PCESENT UNCTAD SECRETARY GENERAL GAMANI COREA AS SAYING KARANDAWELA IS "COMMUNIST" BUT THIS APPEARS TOO STRONG. HE IS IN CLOSE TOUCH WITH PRC THROUGH EXTENSIVE GSL/PRC SHIPPING NEGOTIATIONS. WE HAVE NO EVIDENCE THAT HE IS SPECIFICALLY ANTI-AMERICAN. IN CONCLUSION WE BELIEVE NATIONALIST AND LEFTIST CONVICTIONS MAY INFLUENCE KARANDAWELA'S APPROACH TO CURRENT IMPASSE BUT BASICALLY HE IS FIRMLY CONVINCED GSL/CFB'S POSITION IS JUSTIFIED ON MERITS AND THAT IS PRIMARY REASON FOR HIS STRONG STAND. SHIPPING/TOURISM MINISTER KALUGALLA IS REGARDED BY SEVERAL SOURCES AS UNINFORMED AND UNINTERESTED IN SHIPPING AFFAIRS. HE IS CONSIDERED LIGHTWEIGHT WHO SPENDS MOST OF TIME ON TOURISM.

WE HAVE NO FURTHER INFO ON DAVID SOYSA BUT BELIEVE HE IS UNIMPORTANT NOW THAT CONFLICT HAS ESCALATED.

8. IN RESPONSE PARAGRAPH 2 C., WE HAVE NO SOLID INFORMATION TO EXPLAIN CUSAC'S UNIQUELY DIFFICULT RELATIONS WITH GSL/CFB. IN BRIEF, MAIN REASONS APPEAR TO INCLUDE: (1) LONG SERIES OF MINOR DISPUTES OVER RATES AND PROCEDURES STARTING IN LATE 1960S WHICH WERE EXACERBATED BY STEADILY AND RAPIDLY MOUNTING RATES SINCE 1970 (2) APPARENT CONFLICT IN MARITIME LAWS CREATED BY CFB'S STATUTORY ESTABLISHMENT OF CFB IN SEPTEMBER, 1973, FACTOR APPARENTLY NOT APPLICABLE TO COUNTRIES REPRESENTED IN OTHER CONFERENCES. (3) INCREASINGLY ASSERTIVE AND INDEPENDENT GSL SHIPPING POLICY OVER LAST TWO YEARS (4) REAL AND EXTREMELY NEGATIVE PRESSURE POST-OIL CRISIS SHIPPING RATES HAVE PUT ON SRI LANKA'S EXPORT EARNINGS (5) LONG STANDING AND INCREASINGLY IRRITATING NEGOTIATING RELATIONSHIP IN WHICH GSL/CFB PERCEIVES CONDESCENSION AND EVEN DISINTEREST IN RESOLVING OUTSTANDING ISSUE ON CUSAC'S PART. DESPITE EXTENSIVE CUSAC EXPLANATIONS, CEYLGESE CONTINUE DUFFED AT CUSAC'S STANDING REFUSAL TO SEND NEGOTIATORS TO COLOMBO WHEN CHAIRMEN AND TEAMS FROM OTHER CONFERENCE, ESPECIALLY CEYLON - UK - EIRE, REGULARLY VISIT HERE (6) FINALLY, PERSONALITIES INVOLVED, ESPECIALLY KARANDAWELA AND REPORTEDLY MR. HAMM, APPARENTLY ARE NOT CONFIDENTIAL

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CONDUCTIVE TO EASY RELATIONSHIP.

9. COMMENT: GSL/CFB BELIEVES THEY ARE DEALING FROM STRENGTH BECAUSE CUSAC'S CASE FOR SURCHARGE IS NOT SUPPORTABLE WITH EVIDENCE. HOWEVER, WE UNDERSTAND OTHER CONFERENCE ARE FOLLOWING CASE VERY CLOSELY BECAUSE THEY WOULD LIKE TO RAISE RATES AND/OR SURCHARGES SOMEWHAT. WE HAVE HEARD ONE THEORY THAT CFB MAY ALLOW ABOUT 10,000 TONS TO ACCUMULATE AND THEN CHARTER NON-CUSAC SHIP TO EAST Z COAST. ALTHOUGH POLITICAL CONSIDERATIONS MAY INFLUENCE GSL/CFB THINKING, GSL BELIEVES ITS POSITION RESTS MAINLY ON ECONOMIC MERITS OF CASE. WE THINK USG POSITION SHOULD REMAIN FOCUSED ON REESTABLISHING WORKING NEGOTIATIONS. IN ANY EVENT, WITH RESPECTIVE POSITIONS STILL APPARENTLY DEADLOCKED, WE SEE LITTLE PROBABILITY FOR EARLY SETTLEMENT.
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